



CHEMONICS INTERNATIONAL INC.

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***The Amman Stock Exchange
Membership Application to the
World Federation of Exchanges***

Final Report

March 15, 2005

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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- Membership Application to the WFE
- Stock Exchange Standards
- Jordan Capital Markets
- Jordan Securities Commission
- Securities Depository Center
- Amman Stock Exchange
- JSC
- ASE
- SDC
- Emerging Markets

Abstract

Purpose

The purpose of this report is to establish the methodology and work required for the Amman Stock Exchange (ASE) to:

- File a comprehensive and satisfactory application for full membership in the World Federation of Stock Exchanges (WFE)
- Submit a completed membership application to the President of the WFE
- Successfully complete a Preliminary Survey conducted by the WFE's Secretariat
- Assist WFE members, designated by the President of the WEF, in their Application Examination Appraisal process
- Support WFE Secretariat staff in completion of the Application Report for submission the WFE General Assembly

The report also contains informational presentations for Board members, management, and staff of the ASE, the Securities Depository Center (SDC) and the Jordan Securities Commission (JSC).

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Executive Summary

Purpose

The purpose of this report is to establish the methodology and work required for the Amman Stock Exchange (ASE) to:

- File a comprehensive and satisfactory application for full membership in the World Federation of Stock Exchanges (WFE).
- Submit a completed membership application to the President of the WFE.
- Successfully complete a Preliminary Survey conducted by the WFE's Secretariat.
- Assist WFE members, designated by the President of the WFE, in their Application Examination Appraisal process.
- Support WFE Secretariat staff in completion of the Application Report for submission the WFE General Assembly.

The report also contains informational presentations for Board members, management, and staff of the ASE, the Securities Depository Center (SDC) and the Jordan Securities Commission (JSC).

Global Marketplace - Background

The orderly evolution of emerging financial markets and the systemic incorporation of such markets into an increasingly integrated and interdependent global economy has been a major concern of international financial organizations since the early 1990s.

In one of the elemental papers on the organized development of emerging markets, the Group of Ten (G-10), in April 1997, stated

“In an increasingly integrated global economy, financial sector stability is most likely to be achieved when international prudential standards are met and when markets operate competitively, professionally and transparently, according to sound principles and practices that generate the relevant information and appropriate incentives.”¹

¹ Financial Stability in Emerging Market Economies, Report of the Working Party on Financial Stability in Emerging Market Economies, *The Bank for International Settlements, Basel, Switzerland, April 1997*

G-10 representatives and emerging market economies have jointly sought to develop a strategy for fostering financial stability in countries experiencing rapid economic growth and undergoing substantial changes in their financial systems. This strategy has been prompted by the recognition that banking and financial crises can have especially serious repercussions for emerging market economies in terms of heightened macroeconomic instability, reduced economic growth and a less efficient allocation of savings and investment capital.

The aim of the ongoing work of international organizations concerned stability in the global marketplace has been to develop a standardized international strategy to promote the establishment, adoption and implementation of sound principles and practices needed for financial stability. The strategy has 4 major components:

1. International consensus on the key indicators of a sound financial and regulatory system.
2. Formulation of norms, principles and practices by international authorities with relevant expertise and experience.
3. Creation of incentives for the adoption of sound supervisory systems, better corporate governance and other key elements of a robust financial system.
4. Promotion by multilateral donor agencies and regional development banks of the adoption and implementation of sound principles and practices.

Experience obtained from the implementation of the G-10 and similar strategies has evidenced the fact that sound macroeconomic and structural policies are essential for financial system stability to prevent or at least mitigate the emergence of serious financial difficulties and to create a reasonably safe and secure environment for investment capital. As a result of the practical application of G-10 principles it has become obvious that the ultimate responsibility for policies undertaken to strengthen financial systems must lie with individual national authorities, which have a strong interest in developing sound practices and standards for their financial systems.

Compliance with the rules, regulations and recommendations of international authorities such as the World Federation of Exchanges (WFE), not only creates an attractive investment safe-haven for a country's domestic and international investors but also serves to strengthen the national foundation of a country's economy so as to significantly increase its ability to withstand regional and/or global financial shocks.

Therefore full membership in the WFE embodies obvious and relatively immediate advantages to the Amman Stock Exchange (ASE) and also accrues noteworthy benefits to the strengthening of the Jordanian economy.

In attaining full membership in the WFE the ASE is providing sustainable proof to domestic and international investors that the Jordanian capital markets possesses the institutional structure, processes and financial infrastructure necessary for the maintenance of a sound capital culture and the operation of an effective financial market.

Full membership in the WFE will provide certification by an internationally acknowledged, independent authority that the Jordanian capital markets are compliant with generally accepted global standards.

The benefits of compliance with generally accepted global standards include, but by no means are limited to:

- operation of a competitive financial market where a full range of financial instruments are available so as to promote financial system resilience and facilitate capital formation.
- improvements in the quality, timeliness and relevance of standards for the disclosure of key information required to support and implement credit and investment decisions.
- assurances that financial institutions have capital commensurate to the risks they bear.
- openness and competitiveness in financial markets, subject to essential prudential safeguards.
- availability of safety net arrangements, i.e. compensation funds, settlement guarantee funds, remedial actions and exit policies, so that the incentives of investors, shareholders and managers to exercise oversight and to act prudently are not undermined.
- operation of regulatory and supervisory arrangements that complement and support the operation of market discipline.
- credible regulatory authorities that have the power to license institutions, to apply prudential regulations, to conduct consolidated supervision, to obtain and independently verify relevant information and to engage in remedial action.
- regulatory authorities having the requisite powers and resources to cooperate and exchange information with other authorities, both at home and abroad, thereby supporting consolidated supervision.
- operation of safe, secure and robust payment, settlement and custody systems.

Jordanian Marketplace - Background

In the early thirties, the Jordanian public already subscribed to and traded in shares. The Arab Bank was the first public shareholding company to be established in Jordan in 1930, followed by Jordan Tobacco and Cigarettes in 1931, Jordan Electric Power in 1938, and Jordan Cement Factories in 1951.

In 1975 and 1976, the Central Bank conducted intensive studies, in cooperation with the World Bank's International Finance Corporation (IFC), and it became clear that the size of the national economy and the share of the private sector in it through public shareholding companies and its broad investor base justified the creation of an organized and regulated financial marketplace.

The creation of such a marketplace was perceived as a prerequisite for much needed opportunities to support economic activities which, in turn, would stimulate and foster sustained economic growth. In 1976 Temporary Law No. 31 created the Amman Financial Market (AFM). A Cabinet resolution adopted in 1977 established an AFM Administration Committee and operations on the AFM started on January 1st of 1978.

Since 1999 the AMIR Program has worked with the Jordanian private sector and government to create a modern financial market which now consists of: (i) a progressive securities regulator, the Jordan Securities Commission (JSC), (ii) a contemporary, electronic securities trading market, the Amman Stock Exchange (AME), and (iii) a globally-compliant and operationally comprehensive Central Securities Depository, the Securities Depository Center (SDC) of Jordan. The mutual efforts have promoted and supported economic growth and prosperity in Jordan through the development of a more favorable environment for business and investment.

The successful creation of a globally-compliant financial marketplace now warrants the logical next step of international accreditation of the ASE. International accreditation is to be obtained by assisting the ASE in applying for and obtaining full membership in the WORLD Federation of Exchanges.

The World Federation of Exchanges (WFE)

The World Federation of Exchanges (WFE) is the trade association for regulated securities and derivative markets. WFE is an international organization comprised of the world's leading exchanges, which are committed to the highest levels of business quality as written into the members' own Market Principles. These standards have been part of the longstanding work of the association, tying in with member bourses' writing their own market rules. The standards are permanent for exchanges, in view of their fiduciary and public utility roles.

WFE provides a forum for communication, analysis and debate among members on current regulatory issues and business development. Its purpose is to facilitate the development of organized and regulated exchanges, and to meet the needs of evolving

capital markets in the best interest of their users. It also assures the representation of member concerns before international financial policy bodies.

Membership in the World Federation of Exchanges identifies each market as having prescribed business standards, recognized as such by members, owners, and users of exchanges, as well as by regulators and supervisory bodies.

Organized, regulated financial exchanges do the preeminent economic job of allocating capital on the largest possible scale. From capturing orders to trade or providing access for new company capital offerings, and then carrying on through trading, reporting, settlement, and custody, WFE member bourses have developed sound business practices offering investor protection and efficient price discovery. New technologies and competition stimulate Federation members to make their services more efficient, cost effective, user friendly and reliable.

The Federation is a central reference point for the securities industry, and for exchanges themselves. It offers member exchanges guidance in their business strategies, and in the improvement and harmonization of their management practices. It also works with public authorities to promote increased use of this segment of the capital markets.

The World Federation of Exchange's business goals are:

- To demonstrate the role, functioning and integrity of regulated exchanges;
- To maintain a platform for securities markets professionals to discuss issues of common interest, to identify new approaches and solutions which enhance the competitive position of regulated exchanges, and to develop programs which support bourse operations, including research papers, workshops, and quality standards and best practices;
- To deepen the cooperative relationship with supervisory authorities and international public policy organizations, in order to advocate the benefits of exchange front-line self-regulation within the total regulatory framework; and
- To support emerging exchanges in their efforts to develop markets which function according to this association's member standards, thus contributing to global respect for the business practices of a well-run industry.

Application Methodology

The methodology to be applied in completing a successful application to the ASE and in mentoring the application through the acceptance process is simple in its structure and application but does require a significant amount of work. In order to provide for the efficient, timely and successful completion of the Application Process, the basic methodology has been divided into 5 parts:

Part I: Information Gathering

This part consists of gathering all of the necessary documents required to establish JSC, ASE and SDC compliance with WFE membership requirements.

It is required that all of the documentation be current and be in the English Language. The necessity of reviewing and submitting contemporary information requires that the all ASE and SDC By-Laws, currently pending JSC approval by the JSC, be approved by the JSC.

It is important to note that in order to successfully complete the application process it is necessary for the JSC to approve ASE and SDC By-Laws currently pending before the JSC. In order avoid unnecessary delay, pending JSC final approval of ASE and SDC By-Laws, working copies of the ASE and SDC By-Laws, in English, will be used.

Documents, in English, required for Part I include, but are not limited to:

- ♦ Temporary Law No. (76) Year 2002: The Securities Law.
- ♦ By-Laws, Rules & Regulations of the Jordan Securities Commission.
- ♦ By-Laws, Rules & Regulations of the Amman Stock Exchange (ASE).
- ♦ System Operating Procedures of the ASE Trading System.
- ♦ Appropriate Portions of ASE Trading System Documentation, as required.
- ♦ By-Laws, Rules & Regulations of the Securities Depository Center (SDC).
- ♦ System Operating Procedures of the SDC Settlement System.
- ♦ Appropriate Portions of the SDC Settlement System Documentation, as required.
- ♦ By-Laws, Rules & Regulations of the Central Bank of Jordan appropriate to capital market components.

Part II: Completion of Compliance Matrix

Part II requires the completion of the Compliance Matrix, as presented in Section II of this report. Completion of the Compliance Matrix requires:

- ☒ comparison of WFE requirements to assembled documentation.
- ☒ identification of Compliance Areas.
- ☒ identification of Non-Compliance Areas.
- ☒ identification of Non-Applicable Areas.
- ☒ documentation to support Compliance Areas.
- ☒ creation of plans to meet Non-Compliance Areas, if and as required.
- ☒ documentation to support Non-Applicable areas.

Completion of the Compliance Matrix will result in the creation of a Draft Application Report that will be submitted for the review of appropriate parties. Subsequent to receipt of review comments and necessary amendment a Final Application Report will be submitted to appropriate parties for final approval and sign-off.

Following final sign-off a submission package, including the Final Application, will be created for submission to the President of the WFE.

Part III: Completion of WFE Preliminary Survey

Part III requires the provision of assistance, on the part of the JSC, ASE and the SDC, to the WFE's Secretariat in order to complete the WFE Secretariat's Preliminary Survey. The scope, time and human resources required to support Part III are difficult to project as the scope of the exercise is determined by the WFE Secretary General's Office. However, the completion of Parts I and II will prepare the JSC, ASE and SDC to successfully manage and support Step III.

Step IV: WFE Member Application Review

Part IV requires the provision of assistance, on the part of the JSC, ASE and the SDC, to the two (2) WFE Members conducting the Members' Application review. WFE Members designated to conduct the Members' Application Review are designated by the President of the WFE and as such it is difficult to project the scope, time and human resources requirements. However, the completion of Parts I, II & III will prepare the JSC, ASE and SDC to successfully manage and support Step IV.

Step V: Completion of WFE General Assembly Application Report

Part V requires the provision of assistance, on the part of the JSC, ASE and the SDC, to staff of WFE General Secretary authoring the Application Report to the WFE General Assembly. The Internal Rules of the WFE, Article 2, Item 3 states that the Application Report to the General Assembly be "...on the basis of a report to be written by the applicant in co-operation with the Secretary General."

As in the case of Steps III and IV it is difficult to project the scope time and resource requirements for this Step. However, the completion of Parts I, II & III will prepare the JSC, ASE and SDC to successfully manage and support Step IV.

Project Risk

The WFE Statutes, Article 5, Item 5 states:

“In the event of the rejection of an application, no further application shall be accepted from the applicant so rejected for a period of three years from the date of notification of such rejection.”

In view of this WFE Statute it is absolutely critical that the ASE’s initial Application for WFE Membership be successful. Stated in the simplest of terms, the ASE will have one chance to complete a successful application process.

Appendices: Presentations

Appendix A: WFE Membership – Management & Staff Presentation

Appendix B: WFE Membership – ASE Board of Directors Presentation (to
be used at the WFE Forums)

APPENDIX A

WFE MEMBERSHIP

MANAGEMENT & STAFF PRESENTATION

THE AMMAN STOCK EXCHANGE



THE World Federation of Exchanges

MEMBERSHIP APPLICATION



Agenda

- The World Federation of Exchanges
- WFE Members
- Importance of WFE Membership
- Membership Process
- ASE Plan for Membership





The World Federation of Exchanges

- Global Trade Association for the Exchange Industry
- Formerly *Federation Internationale des Bourses de Valors (FIBV)*
- 56 Full Members
- 22 Affiliate Members
- 35 Correspondent Members
- Members account for 97% of World's Market Capitalization





The World Federation of Exchanges

- Members' Market Capitalization = US \$ 22,671 Billion
- Members New Capital Inflows in = US \$ 261,983 Million
- Members' Shares Traded Value = US \$ 33,453 Billion
- Full Members Domestic Listings = 38,563 Issues





The World Federation of Exchanges

- Top Ten WFE Members – Market Capitalization in USD\$ Billions

#		Cap
1	New York Stock Exchange	\$ 9,015
2	Tokyo Stock Exchange	\$ 2,069
3	Nasdaq Stock Market	\$ 1,994
4	London Stock Exchange	\$ 1,801
5	Euronext	\$ 1,539
6	Deutsche Börse	\$ 686
7	Toronto Stock Exchange	\$ 570
8	Swiss Exchange	\$ 547
9	Italian Exchange	\$ 477
10	Hong Kong Exchange & Clearing	\$ 463





The World Federation of Exchanges

● International Affiliations





WFE Members

● The Americas

American Stock Exchange
Bolsa De Comercio de Buenos Aires
Bolsa De Valores de Lima
Bolsa de Valores do Rio de Janeiro
Bolsa Mexicana De Valores
Chicago Board Options Exchange
Chicago Stock Exchange
New York Stock Exchange
Bermuda Stock Exchange
Bolsa Comercio de Santiago
Bolsa De Valores Do Sao Paulo
Bourse de Montreal
NASD
TSX Toronto Stock Exchange





WFE Members

● Europe & Africa

Athens Exchange
Borsa Italiana SPA
Budapest Stock Exchange Ltd.
Deutsche Börse AG
Euronext Brussels
Euronext Paris
Irish Stock Exchange
JSE Securities Exchange, South Africa
London Stock Exchange
Oslo Børs
SWX Swiss Exchange
Warsaw Stock Exchange

Bolsa y Mercados Espanoles
Bourse de Luxembourg
Copenhagen Stock Exchange
Euronext Amsterdam
Euronext Lisbon
HEX Integrated Markets Ltd.
Istanbul Stock Exchange
Ljubljana Stock Exchange
Malta Stock Exchange
Stockholmsbörsen
Tel-Aviv Stock Exchange
Wiener Börse AG





WFE Members

● Asia and the Pacific

Australian Stock Exchange
Colombo Stock Exchange
Jakarta Stock Exchange
Kuala Lumpur Stock Exchange
New Zealand Exchange
Philippine Stock Exchange
Shenzhen Stock Exchange
Stock Exchange of Tehran
Taiwan Stock Exchange Corp.

BSE The Stock Exchange, Mumbai
Hong Kong Exchanges and Clearing
Korea Stock Exchange
National Stock Exchange of India Ltd
Osaka Securities Exchange
Shanghai Stock Exchange
Singapore Exchange
Stock Exchange of Thailand
Tokyo Stock Exchange





WFE Mission

- Establish harmonized standards for Exchange business
- Enhance Exchanges' cooperation with market regulators
- Publicize & promote Exchange's role in national economies
- Supports Exchanges attainment of international standards





Importance of WFE Membership

- Privileged Access

*“Membership in the World Federation of Exchanges is a criterion for many national regulators and asset management institutions to allow privileged access for investment ”*¹

- Business Development

*“The World Federation of Exchanges is a central reference point for the securities industry, and for exchanges themselves. It offers members guidance in their business strategies and in the improvement and harmonization of their management practices.”*¹

¹ World Federation of Exchanges, Annual Report 2002,





Importance of WFE Membership

● International Reputation

“Membership in the World Federation of Exchanges identifies an exchange as having assumed the commitment to prescribed business standards, recognized as such by members, owners, and users of exchanges, as well as by regulators and supervisory bodies.”¹

¹ *World Federation of Exchanges, Annual Report 2002,*





Importance of WFE Membership

- International Market Status - WFE Membership:
 - ◆ Establishes Exchange's compliance with international standards
 - ◆ Significantly increases international investor's confidence
 - ◆ Complies with Fund Management country-risk requirements
 - ◆ Complies with Investment Companies internal country-risk requirements
 - ◆ Increases Exchanges ability to engage in regional cross-border trading
 - ◆ Identifies Exchange as a fully qualified participant in the international securities markets





Importance of WFE Membership

● Member Services

- ◆ Establishes Exchange's compliance with international standards
- ◆ Significantly increases international investor's confidence
- ◆ Complies with Fund Management country-risk requirements
- ◆ Complies with Investment Companies internal country-risk requirements
- ◆ Increases Exchanges ability to engage in regional cross-border trading
- ◆ Identifies Exchange as a fully qualified participant in the international securities markets





Importance of WFE Membership

- ASE Membership in the WFE will:
 - ◆ Establish the ASE as a fully-compliant International Securities Exchange
 - ◆ Increase Indirect Investment flows to Jordan
 - ◆ Facilitate business from International Pension Funds
 - ◆ Increase business from International Insurance Companies
 - ◆ Attract business from International Custodian Bank clients
 - ◆ Place ASE in compliance with European Union regulatory regimes





Importance of WFE Membership

- ASE Membership will establish a strong regional presence





Membership Process – WFE Statutes

- Article 5 Application for Membership
 - 1 Application for admission may be made by a Stock Exchange
 - 2 Application must be addressed to the President of the WFE
 - 3 Acceptance or rejection of an application is a matter for the decision of the General Assembly which will not be obliged to give any reasons for its decision
 - 4 Membership shall become effective following the decision of the General Assembly and after the candidate has accepted and countersigned the Statutes and Internal Rules
 - 5 In the event of rejection of an application, no further application shall be accepted from the applicant for a period of three years from the date of rejection





Membership Process – Internal Rules

- Article 1 – Preliminary Survey of Potential Candidate
 - 1 The Secretariat shall conduct a Preliminary Survey of a Stock Exchange that has expressed its intent to apply for membership
 - 2 The Preliminary Survey shall be made on the basis of criteria developed by the Federation with respect to the economic significance, statutory and self-regulatory framework, and rules and regulations adopted by the Exchange, as well as matters deemed necessary by the Secretary General
 - 3 The Secretary General shall report to the Board of Directors on the results of the Preliminary Survey





Membership Process – Internal Rules

● Article 2 – Procedure for Admission to Membership



An application for membership must be accompanied by the following documents:



A copy of the Articles of Association and By-Laws of the applicant, or their equivalent, in addition to evidence of being of good standing



An understanding to produce all documents which subsequently be required for consideration of the Application for membership. The applicant may be Required to provide a translation of such documents In the English language





Membership Process – Internal Rules

- Article 2 – Procedure for Admission to Membership
 - 2 The Board of Directors shall decide, based on a Preliminary Survey carried out by the Secretary General, whether the application procedure can be started
 - 3 Upon the positive decision by the Board of Directors, the President shall designate at least two Members to examine the application and prepare a report to the General Assembly, on the basis of a report to Be written by applicant in co-operation with the Secretary General
 - 4 The President shall notify the decision of the General Assembly to the applicant



Membership Process – Internal Rules

● Article 6 – Qualifying Characteristics for Member Exchanges

- 1 Securities Markets wishing to apply for membership must be significant within its country of origin. Significant means that, in addition to being important based on its size, a market should be dedicated to supporting, directly or indirectly, the development of equity capital and be an important factor in within the home country's economy.
- 2 Be regulated by its own supervisory body, within a statutory framework. Apart from being regulated and supervised, markets should also have a specific responsibility to regulate the markets and market participants.



Membership Process – Internal Rules

● Article 6 – Qualifying Characteristics for Member Exchanges



Facilitate long-term capital raising.



Pursue purposes that are in the public interest, including:



be available to the public;



have as a goal to be fair and orderly to protect all public participants;



have as a goal to be fair and orderly to protect all public participants;



Subscribe to and comply with the World Federation of Exchanges Market Principles





Membership Process – Market Principles

- 1 – Purpose
 - ☀ Provide guidance as to minimum as to the **minimum** level of organization, regulation and supervision a securities market needs to have in order to qualify as organized market.
 - ☀ Serve as a checklist for those securities markets wishing to become a member of the World Federation of Exchanges.





Membership Process – Market Principles

● 2 – Organization and Operations



Exchanges should have available and maintain adequate organizational infrastructure and operational resources to enable them to offer the proper tools for trading in securities.



LEGAL STATUS



STATUTES



MARKET PARTICIPANTS



MONITORING PARTICIPANTS



ORGANIZATIONAL STRUCTURE



REGULATORY STRUCTURE





Membership Process – Market Principles

● 2 – Organization and Operations



SYSTEMS



FUNDING OF THE ORGANIZATION

● 3 – Access to the Market



The market should be designed to operate in a manner equitable to all who access it.



Procedures should be established such that market participants adhere to the competence, integrity, financial soundness and authority, and that adequate supervision be in place.





Membership Process – Market Principles

● 3 – Access to the Market



Exchange rules and regulations must stipulate:

- ★ **TERMS & CONDITIONS OF EQUAL ACCESS**
- ★ **PROFESSIONALISM OF INTERMEDIARIES & EMPLOYEES**
- ★ **MINIMUM CAPITAL & SOLVANCY OF INTERMEDIARIES**
- ★ **INTERMEDIARIES COLLATERAL INSTRUMENTS**
- ★ **ENFORCEMENT & DISCIPLINARY PROCEDURES**
- ★ **CONFLICT OF INTEREST RESOLUTION MECHANISMS**



Membership Process – Market Principles

● 4 – Listing & Disclosure of Traded Financial Products



Exchanges should require:



ADEQUATE SIZE & SUFFICIENT SHARES



TIMELY DISCLOSURE OF BUSINESS & FINANCIAL DATA



REGULAR DISCLOSURE OF FINANCIAL DATA



DISCLOSURE OF INVESTMENT RISK TO INVESTORS



Membership Process – Market Principles

● 4 – Listing & Disclosure of Traded Financial Products



Exchanges should work towards:



CO-ORDINATION AMONG MARKET REGULATORS



SUPPORT OF VROSS-BORDER TRADING



REGULAR DISCLOSURE OF FINANCIAL DATA



LISTING TIME REQUIREMENTS & COSTS



COMPREHENSIVE , PUBLICALY AVAILABLE RULEBOOK



RESONABLE TIME PERIOD FOR LISTING SECURITIES





Membership Process – Market Principles

● 5 – Trading



Exchange accountability should be:



DEFINED & DISTRIBUTED TO MARKET PARTICIPANTS



CONTAINED IN PUBLISHED AGREEMENTS, AS REQUIRED



Exchange should have defined Audit Trails available to:



INVESTORS, UPON APPROVED REQUEST



MARKET REGULATORS, WITH FULL DETAIL



Membership Process – Market Principles

● 5 – Trading



Exchange Displays should be:



FAIR & TIMELY TO ALL MARKET PARTICIPANTS



PROVEN TO MARKET REGULATORS AS FAIR



DOCUMENTED: PROCESSING, QUEUING, & DISPLAY



Market Data must be:



TIMELY, ACCURATE & COMPREHENSIVE



Include Price & Volume





Membership Process – Market Principles

● 5 – Trading



Exchanges should undertake to:

- ★ **Promote well-balance transparency**
- ★ **Publicly disclose transaction data (Price & Size)**
- ★ **Establish & maintain Trading Rules for Investor Protection such as Best Execution and Trading Halts**
- ★ **Create transparency as to Intermediary's Trade Capacity**



Membership Process – Market Principles

● 5 – Trading



Exchanges should allow for Cross-Border Trading:



DUPLICATE RULES WITH FOREIGN MARKETS SHOULD BE ELIMINATED, WHERE POSSIBLE



FOREIGN PARTICIPANTS TO HAVE EQUAL TRADING RIGHTS & OBLIGATIONS WHEN COMPLYING WITH LOCAL REGULATION



Market Regulators should mutually recognize Foreign Regulators:



RECIPROCAL AGREEMENTS WITH FOREIGN REGULATORS





Membership Process – Market Principles

● 6 – Clearing and Settlement



The clearing and settlement facilities provided by the Exchange, its subsidiaries or others must provide for the efficient, safe and prompt settlement of transactions within the internationally accepted standards of the G-30 and ISSA, or be better.



The Exchange will make adequate arrangements for:



SAFE & TIMELY CLEARING



CORRECT AND FINAL SETTLEMENT



CROSS-BORDER CLEARING & SETTLEMENT



DEVELOPMENT OF A CENTRAL SECURITIES DEPOSITORY





Membership Process – Market Principles

● 6 – Clearing and Settlement



The Central Securities Depository will make adequate arrangements for:

- ★ **IMMOBILIZATION OF PHYSICAL SECURITIES CERTIFICATES**
- ★ **PROCESSING OF DEMATERIALIZED SECURITY ISSUANCE**
- ★ **BORROWING & LENDING SECURITIES**
- ★ **STANDARDIZATION OF SECURITY INDUSTRY PROCESSES**
- ★ **ASSURANCES THAT OWNERSHIP OF SECURITIES IS CONTAINED IN NATIONAL LAW**
- ★ **ASSURANCES THAT OWNERSHIP OF SECURITIES IS CONTAINED IN NATIONAL LAW**





Membership Process – Market Principles

● 6 – Clearing and Settlement



The Exchange & the Central Securities Depository will promote a well-defined set of laws governing:



SECURITIES CONTRACTS



FINALITY OF SETTLEMENT



BANKRUPTCY





Membership Process – Market Principles

● 7 – Technical Infrastructure



The Exchange & the Central Securities Depository will maintain adequate Information Technology systems to meet the needs of market users:



BACK UP SYSTEMS FOR OPERATIONAL FAILURES



BACK UP PROCESSING FACILITIES FOR OPERATIONAL FAILURE



INDEPENDENT TESTING OF BACK UP SYSTEMS



OBJECTIVE RISK MANAGEMENT ASSESSMENT OF SYSTEMS & PROCEDURES





Membership Process – Market Principles

● 8 – Risk Management



Securities Regulators and the Exchange should conduct periodic Risk Management Reviews to identify systemic problems related to:



RISK FROM INTERACTION WITH RELATED FINANCIAL SYSTEMS

- ▶ Foreign Exchange Markets
- ▶ Derivative Markets
- ▶ Banking Market
- ▶ Real Time Gross Settlement System





Membership Process – Market Principles

● 8 – Risk Management



To assure the financial integrity of the market and the ability of its participants to fulfill their obligations as users, the Exchange should have in place risk management tools:



POSITION LIMITS



MARGIN REQUIREMENTS



MINIMUM CAPITAL REQUIREMENTS



MARK-TO-MARKET COLLATERAL VALUATION



Membership Process – Market Principles

- 9 – Settlement of Disputes
 - The Exchange should put facilities in place which offer effective treatment of disputes and complaints from investors regarding the behavior and business conduct of intermediaries.
 - These should be as simple and expeditious as possible, within the limitations of national law.





Membership Process – Market Principles

● 10 – Supervision, Surveillance and Enforcement

☀ The Exchange must insure that mechanisms are in place for:

★ **MARKET SURVEILLANCE**

★ **MARKET SUPERVISION**

★ **MARKET ENFORCEMENT**

☀ Market Regulators must be established, in law with:

★ **BROAD INSPECTION & ENFORCEMENT AUTHORITY**

★ **ADEQUATE OVERSIGHT OF MARKET PARTICIPANTS**

★ **CLEAR SEPERATION FROM BANKING REGULATORS**





Membership Process – Market Principles

- 10 – Supervision, Surveillance and Enforcement
 - The Exchange must report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.
 - Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time
 - Exchange transaction records should be furnished promptly upon request by the relevant regulator.



Membership Process – Market Principles

● 11 – Investor Protection



The Exchange must have rules & regulations that protect investors, including:



TRANSACTION TRANSPARENCY & DISCLOSURE



COMPENSATION FUND FOR MEMBER INSOLVANCY



COMPENSATION FUND MANAGEMENT & CONTROLS



The Exchange & Central Depository must have rules & regulations to manage Exchange employee Conflicts of Interest



Membership Process – Market Principles

● 11 – Investor Protection

☀ The Exchange rules & regulations must specifically prohibit:

- ★ **INSIDER TRADING**
- ★ **UNFAIR TRADING PRACTICES**
- ★ **EXECUTION OF TRADING FIRM ORDERS BEFORE CLIENT ORDERS (“FRONT RUNNING”)**

☀ The Exchange, the Central Depository and Custodian Banks must have specific rules & regulations requiring:

- ★ **SEGREGATION OF CLIENT FUNDS AND SECURITIES**



Membership Process – Market Principles

● 12 – Business Conduct¹



In order to instill confidence in the Securities Markets, the Securities Market Regulators, the Exchange and the Central Depository are required to have specific Rules of Conduct or Code of Ethics governing:



HONESTY & FAIRNESS



DILIGENCE



CAPABILITIES



INFORMATION ABOUT CUSTOMERS

¹ *The WFE Business Conduct requirements is based on the the IOSCO International Conduct of Business Principles Adopted by IOSCO in November 1990.*



Membership Process – Market Principles

● 12 – Business Conduct¹



INFORMATION FOR CUSTOMERS



CONFLICTS OF INTEREST



COMPLIANCE

¹ *The WFE Business Conduct requirements is based on the the IOSCO International Conduct of Business Principles Adopted by IOSCO in November 1990.*



Membership Process – Market Principles

● 13 – Transparency



In order to maintain a transparent market an Exchange is required to have in place detailed transparent operating procedures for:



STATISTICS



MARKET INFORMATION



TRADING



Membership Process – Market Principles

● 14 – Foreign Investment



In order to encourage Foreign Investment and Cross-Border Trading the Securities Regulators, the Exchange and the Central Depository must have rules & regulations insuring:



EQUAL TREATMENT FOR FOREIGN INVESTORS



ABSENCE OF EXCESSIVE INWARD OR OUTWARD FUNDS CONTROLS



NO SPECIAL CLASSES OF SHARES FOR FOREIGN INVESTORS



NO MINIMAL RESTRICTIONS ON FOREIGN SHARE OWNERSHIP





Membership Process – Market Principles

● 15 – Compliance with the Federation Recommendations



Overall the WFE recommends that:

Members and candidates for membership in the World Federation of Exchanges are obligated to bring their business operations in line with these recommendations as rapidly as is feasible, and to assure that they remain in line or become even better.



AMMAN STOCK EXCHANGE



PLAN FOR MEMBERSHIP





Plan for Membership

● Step A – Obtain & Review WFE Requirements

1 Collect all WFE information relevant to membership application

- ▶ WFE Statutes
- ▶ WFE Internal Rules
- ▶ WFE Market Principles
- ▶ WFE Qualifying Characteristics for Member Stock Exchanges
- ▶ IOSCO International Conduct of Business Principles





Plan for Membership

● Step B – Obtain & Review WFE Members' Information¹



Collect By-Laws and Rules & Regulations from current WFE Member Exchanges.

- ▶ Colombo Stock Exchange
- ▶ Malta Stock Exchange
- ▶ Ljubljana Stock Exchange
- ▶ Jakarta Stock Exchange

¹ *The amount of information to be gathered will be dependent on the time available and the ready availability of data.*



Plan for Membership

● Step C – Create ASE Compliance Matrix



Based on information gathered in Step A and B”

- ▶ List all major WFE Membership Requirement Categories
- ▶ Breakdown all major WFE Membership Requirements into sub-components
- ▶ List all major and sub-components Membership Requirements in Matrix Format



Plan for Membership

● Step C – Create ASE Compliance Matrix

1 Based on information gathered in Step A and B populate Matrix

▶ Matrix Format to consist of:

- ❖ Documentation Source
- ❖ Compliance Evidence Required
- ❖ Application Work Required

● Step D – Identify ASE Areas of Compliance & Non-Compliance

1 Based on Compliance Matrix





Plan for Membership

● Step D – Identify ASE Areas of Compliance & Non-Compliance



Gather domestic documentation:

- ▶ Securities Law (No. 76) of 2002
- ▶ Rules & Regulations of the Jordan Securities Commission (JSC)
- ▶ JSC approved ASE By-Laws
- ▶ JSC approved SDC By-Laws





Plan for Membership

● Step D – Identify ASE Areas of Compliance & Non-Compliance



Compare WFE Membership Requirements to domestic documentation

- ▶ Identify areas of compliance
- ▶ Specifically document compliance supported by domestic documentation
- ▶ Identify areas of non-compliance
- ▶ Create implementation plan for each area of non-compliance





Plan for Membership

- Step D – Identify ASE Areas of Compliance & Non-Compliance
 - 2 Compare WFE Membership Requirements to domestic documentation
 - ▶ Identify areas as Not Applicable
 - ▶ Document Non-Applicable areas from domestic documentation





Plan for Membership

● Step E – Assemble WFE Membership Application Package



Draft Membership Application Package

- ▶ Table of Contents to match WFE Market Principles
- ▶ Assemble all domestic documentation as Appendices
- ▶ Procure all necessary Letter Documentation, as required
 - ❖ JSC
 - ❖ Central Bank
 - ❖ Ministry of Finance





Plan for Membership

● Step F – Submit WFE Membership Application Package



Circulate Application Package for review & comment

- ▶ Amend Application Package, as required
- ▶ Obtain sign-off on Application Package
- ▶ Prepare Application Presentation
- ▶ Present Application Package & Presentation to WFE





Plan for Membership

● Step G – Prepare for WFE Preliminary Review



Create Review Team

- ▶ Legal Staff
- ▶ Operations Staff
- ▶ Technical Staff



Conduct Mock Review Sessions





Plan for Membership

● Step G – Host WFE Preliminary Review

1 Prepare JSC, ASE & SDC Staff for Preliminary Review

- ▶ Legal Staff
- ▶ Operations Staff
- ▶ Technical Staff

2 Assist WEF Preliminary Review Team

- ▶ Legal Staff
- ▶ Operations Staff
- ▶ Technical Staff





ARTICLE 5

APPLICATION FOR MEMBERSHIP

5. In the event of the rejection of an application, no further application shall be accepted from the applicant so rejected for a period of three years from the date of notification of such rejection.

APPENDIX B

WFE MEMBERSHIP

ASE BOARD OF DIRECTORS PRESENTATION

THE AMMAN STOCK EXCHANGE



WORLD FEDERATION

of

EXCHANGES

MEMBERSHIP



Agenda

- The World Federation of Exchanges (WFE)
- WFE Member Exchanges
- ASE Benefits of WFE Membership
- ASE Application for Membership
- ASE Application Work





the World federation of exchanges

- The Global Trade Association for the Exchange Industry
- Formerly *Federation International des Bourses de Valors (FIBV)*
- Only the most qualified Exchanges in the world belong to the WFE
- Members' account for 97% of the world's Market Capitalization
- Member Exchanges' Domestic Listings in = 38,563 Issues
- Members' Market Capitalization in = US\$ 22,671 Billion
- Members' New Capital Generated in 2002 = US \$ 261,983 Million





WFE Members

- 113 Members
 - ▶ 56 Full Voting Members
 - ▶ 22 Affiliate Members
 - ▶ 35 Correspondent Members
- Top Ten Members by Market Capitalization, in Billions USD\$

#		Cap
1	New York Stock Exchange	\$ 9,015
2	Tokyo Stock Exchange	\$ 2,069
3	Nasdaq Stock Market	\$ 1,994
4	London Stock Exchange	\$ 1,801
5	Euronext	\$ 1,539
6	Deutsche Börse	\$ 686
7	Toronto Stock Exchange	\$ 570
8	Swiss Exchange	\$ 547
9	Italian Exchange	\$ 477
10	Hong Kong Exchange & Clearing	\$ 463





ASE BENEFITS OF MEMBERSHIP IN WFW

- The ASE's full membership in the WFE will:
 - ▶ Establish the ASE as a certified International Stock Exchange
 - ▶ Enhance the Exchange's reputation in the international marketplace
 - ▶ Significantly improve the Exchange's access to international capital
 - ▶ Satisfy investment criteria of international regulators & institutional investors
 - ▶ Increase indirect investment in Jordan
 - ▶ Strengthen the levels of confidence in the Jordanian Financial Markets
 - ▶ Increase trading & listing revenues
 - ▶ Establish Jordan as the investment location of choice in the Middle-East





WFE Members – WORLDWIDE

THE AMERICAS

American Stock Exchange
Bolsa De Comercio de Buenos Aires
Bolsa De Valores de Lima
Bolsa de Valores do Rio de Janeiro
Bolsa Mexicana De Valores
Chicago Board Options Exchange
Chicago Stock Exchange
New York Stock Exchange
Bermuda Stock Exchange
Bolsa Comercio de Santiago
Bolsa De Valores Do Sao Paulo
Bourse de Montreal
NASD
TSX Toronto Stock Exchange

EUROPE and AFRICA

Athens Exchange
Bolsa Italiana SPA
Budapest Stock Exchange Ltd.
Deutsche Börse AG
Euronext Brussels
Euronext Paris
Irish Stock Exchange
JSE Securities Exchange, RSA
London Stock Exchange
Oslo Børs
SWX Swiss Exchange
Warsaw Stock Exchange
Bolsa y Mercados Espanoles
Bourse de Luxembourg
Copenhagen Stock Exchange
Euronext Amsterdam
Euronext Lisbon
HEX Integrated Markets Ltd.
Istanbul Stock Exchange
Ljubljana Stock Exchange
Malta Stock Exchange
Stockholmsbörsen
Tel-Aviv Stock Exchange
Wiener Börse AG





WFE Members - WORLDWIDE

ASIA and the PACIFIC

Australian Stock Exchange
Colombo Stock Exchange
Jakarta Stock Exchange
Kuala Lumpur Stock Exchange
New Zealand Exchange
Philippine Stock Exchange
Shenzhen Stock Exchange
Stock Exchange of Tehran
Taiwan Stock Exchange Corp.

BSE The Stock Exchange, Mumbai
Hong Kong Exchanges and Clearing
Korea Stock Exchange
National Stock Exchange of India Ltd
Osaka Securities Exchange
Shanghai Stock Exchange
Singapore Exchange
Stock Exchange of Thailand
Tokyo Stock Exchange





WFE Members – MIDDLE EAST REGION

- ASE Membership will establish Jordan's regional presence





WFE - ASE APPLICATION FOR MEMBERSHIP

● Membership Process – Membership Application

- 1 Application documentation is created supporting Exchange's fitness for membership
- 2 Application is presented to the President of the WFE
- 3 General Assembly of the WFE will accept or reject the application
- 4 If the application is rejected, 3 years must pass until a new application is made
- 5 On acceptance of the Exchange's application the WFE Secretariat will conduct a Preliminary Review of the ASE





WFE - ASE APPLICATION FOR MEMBERSHIP

● Membership Process – Membership Application

6 A Preliminary Review will be conducted on the basis of WFE criteria:

- ▶ Economic significance of the Exchange in its country
- ▶ Statutory & Self-Regulatory Framework of market institutions
- ▶ Rules, Regulations & By-Laws of market institutions
- ▶ Matters deemed necessary by the Secretary General of the WFE

7 The Secretary General will report to the WFE Board of Directors on the results of the Preliminary Survey

8 The ASE's Application for Membership must be accompanied by:

- ▶ ASE By-Laws as approved by the Jordan Securities Commission
- ▶ Evidence of the ASE's good standing with the market regulators
- ▶ SDC By-Laws as approved by the Jordan Securities Commission
- ▶ An agreement to produce all documents that may be required , in English, for processing the application





WFE - ASE APPLICATION FOR MEMBERSHIP

- **Membership Process – Membership Application**
 - 9 Based on the results of the Preliminary Review, the WFE Board of Directors will decide to proceed with the application process
 - 10 Based on a positive decision by the WFE Board of Directors, the President shall designate at least 2 WFE Members to:
 - ▶ Examine the ASE's Application for Membership
 - ▶ Prepare a report to the General Assembly, on the basis of a report to be written by the ASE in cooperation with the Secretary General of the WFE
 - 11 The President of the WFE shall notify the ASE of the General Assembly's decision





WFE - ASE APPLICATION Work

- Establish Compliance with WFE Membership Requirements
- Membership Requirements are stated in WFE 15 Market Principles
- An Application Work Group will be formed consisting of staff from:
 - ▶ Jordan Securities Commission
 - ▶ Amman Stock Exchange
 - ▶ Securities Depository Center
 - ▶ AMIR Program
- The Application Work Group will prepare the ASE's Application:
 - 1 Review all WFE Membership Requirements
 - 2 Collect all necessary documentation to establish ASE Compliance





WFE - ASE APPLICATION WORK

- The Application Work Group will prepare the ASE's Application:

3 Create a Compliance Matrix to identify areas of:

- ▶ Compliance
- ▶ Non-Compliance
- ▶ Non-Applicability to the Jordanian marketplace

4 Complete the Compliance Matrix





WFE - ASE APPLICATION WORK

- The Application Work Group will prepare the ASE's Application:
 - 5 Application Work Group will produce documentation for all areas to support compliance with WFE requirements
 - 6 Application Work Group will create plans & procedures to place ASE in compliance with WFE requirements, as required
 - 7 Application Work Group will create statements to document Non-Applicable areas
 - 8 Application Work Group will produce a Draft Application Document for review and approval by appropriate parties
 - 9 Application Work Group will amend Application document and submit for final approval
 - 10 Approved Application Document will be delivered to WFE President





WFE - ASE APPLICATION WORK

- Application Document is required to be in the English language
- Application Work Group will host WFE Preliminary Review Team
- Application Work Group will assist WFE Secretary General's staff in writing the final report to the General Assembly
- Final Application Document and WFE Secretary General's Report will be submitted to the General Assembly of the WFE
- WFE President will inform the ASE of the General Assembly's decision
- ASE membership will become effective following the decision of the WFE's General Assembly and the JSC, ASE & SDC countersigning the WFE's Statutes and Internal Rules





WORLD FEDERATION OF EXCHANGES – STATUTES

ARTICLE 5 APPLICATION FOR MEMBERSHIP

5. In the event of the rejection of an application, no further application shall be accepted from the applicant so rejected for a period of three years from the date of notification of such rejection.